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Current Support Brief

CIA/RR CB 62-82

No. Pages 3

3 December 1962

**BLOC ELIMINATION OF WESTERN MIDDLEMEN
AND DIRECT DEALING WITH MALAYA FOR RUBBER**



CENTRAL INTELLIGENCE AGENCY

Office of Research and Reports

State Dept. review completed

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BLOC ELIMINATION OF WESTERN MIDDLEMEN
AND DIRECT DEALING WITH MALAYA FOR RUBBER

25X1 Recent information reveals that the USSR and Poland have started to purchase rubber directly from Malaya and Singapore rather than through trading firms in London and Western Europe as has been the practice heretofore. [redacted] direct purchasing of rubber would benefit the Bloc by eliminating the middlemen and their commissions, thereby lowering the cost of the purchased rubber and enabling more expeditious handling of complaints that arise in connection with the shipments. A less obvious benefit is that direct purchasing on a large scale may provide long-run opportunities to the Bloc for the establishment of economic ties with the projected Federation of Malaysia.

In recent years, all purchases of Malayan rubber by the USSR and the European Satellites have been made through dealers in London and Western Europe, a situation stemming in part from the anti-Communist attitudes of the Malayan and Singapore governments, which refused to grant entry visas to Bloc trade representatives. This situation now appears to be changing. According to State despatches and articles in several periodicals, in September the governments of Malaya and Singapore for the first time permitted the entry of two Bloc (Polish) trade representatives for the purpose of negotiating purchases of rubber. 1/ Subsequently it was reported that sales of 3,000 long tons of rubber to Poland 2/ and 42,000 long tons to the USSR had been arranged. 3/ Moreover, it was reported (but unconfirmed) that one Singapore dealer, Yew Lian, Ltd., now has a direct teletype link with Moscow to facilitate Soviet purchases. 4/

The USSR and its European Satellites indirectly are among Malaya's largest customers for natural rubber. In 1961 these countries negotiated through London and Western Europe for the purchase of about 325,000 to 350,000 long tons, 5/ valued at more than \$200 million, which amounted to almost half of Malaya's production and about 30 percent of Pan-Malayan

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exports.* Part of the shipments were made directly from Malaya or Singapore to the Bloc country concerned, and part were made from warehouses in London and Western Europe.

The purchase of such large amounts of rubber directly from Malaya and Singapore would benefit the Bloc in several ways. It would, as reported, eliminate the commissions of the Western dealers and probably would facilitate the resolution of certain business problems. Another aspect of direct purchasing is that it could open up long-run opportunities to the Bloc for establishing economic ties with Malaysia. Heretofore, direct Bloc trade with Malaya and Singapore has been practically negligible. If direct buying of rubber on a large scale is firmly established, the Bloc, particularly the USSR, probably will seek reciprocal markets in Malaysia.** One market that might be sought, for example, is a share in the equipment and technical assistance needed by Malaya to implement its program for economic development and diversification. At present, the intensely anti-Communist attitude of the Malayan government would seem to be a barrier to any barter arrangements of this nature. As time passes, however, proposals for such arrangements might become increasingly appealing. If the rapid development of new synthetic rubbers continues to depress the prices of natural rubber and to raise the specter of an oversupply, which would cause economic recession in the new Federation of Malaysia, Bloc barter proposals favorable to Malaysia for the exchange of equipment and technical assistance for rubber in time might be too attractive to resist.

* Pan-Malayan exports of natural rubber include those from both Malaya and Singapore and consist of rubber produced in Malaya and imported from Indonesia and other neighboring territories.

** Recently the USSR has been trying to place trade missions in Singapore.

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Approved For Release 2002/07/31 : CIA-RDP79T01003A001400120001-2

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